

<b>A Check if:</b>  1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 required (attach Sch. M-3) <input type="checkbox"/>	<b>Use IRS label. Otherwise, print or type.</b>	Name <b>ACME SHOPS</b>	<b>B Employer identification number</b> <b>40-0001111</b>
		Number, street, and room or suite no. If a P.O. box, see instructions. <b>2151 SUTTER STREET</b>	<b>C Date incorporated</b> <b>01-01-1964</b>
		City or town, state, and ZIP code <b>AMESBURY MA 01913</b>	<b>D Total assets (see instructions)</b> <b>\$ 366,230</b>

<b>E Check if:</b>	(1) <input type="checkbox"/> Initial return	(2) <input type="checkbox"/> Final return	(3) <input type="checkbox"/> Name change	(4) <input type="checkbox"/> Address change
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<b>Income</b>	<b>1a</b> Gross receipts or sales	<b>1,035,369</b>	<b>b</b> Less returns and allowances		<b>c Bal ▶</b>	<b>1c</b>	<b>1,035,369</b>
	<b>2</b> Cost of goods sold (Schedule A, line 8)					<b>2</b>	<b>1,055,566</b>
	<b>3</b> Gross profit. Subtract line 2 from line 1c					<b>3</b>	<b>(20,197)</b>
	<b>4</b> Dividends (Schedule C, line 19)					<b>4</b>	
	<b>5</b> Interest					<b>5</b>	
	<b>6</b> Gross rents					<b>6</b>	
	<b>7</b> Gross royalties					<b>7</b>	
	<b>8</b> Capital gain net income (attach Schedule D (Form 1120))					<b>8</b>	<b>739,320</b>
	<b>9</b> Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)					<b>9</b>	
	<b>10</b> Other income (see instructions - attach schedule)		STATEMENT # 1			<b>10</b>	<b>122,782</b>
	<b>11 Total income.</b> Add lines 3 through 10					<b>11</b>	<b>841,905</b>

<b>Deductions (See instructions for limitations on deductions.)</b>	<b>12</b> Compensation of officers (Schedule E, line 4)		<b>12</b>	<b>45,218</b>
	<b>13</b> Salaries and wages (less employment credits)		<b>13</b>	<b>34,656</b>
	<b>14</b> Repairs and maintenance		<b>14</b>	
	<b>15</b> Bad debts		<b>15</b>	
	<b>16</b> Rents		<b>16</b>	<b>69,000</b>
	<b>17</b> Taxes and licenses		<b>17</b>	<b>25,378</b>
	<b>18</b> Interest		<b>18</b>	<b>9,965</b>
	<b>19</b> Charitable contributions		<b>19</b>	
	<b>20</b> Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)		<b>20</b>	<b>225,913</b>
	<b>21</b> Depletion		<b>21</b>	
	<b>22</b> Advertising		<b>22</b>	<b>470</b>
	<b>23</b> Pension, profit-sharing, etc., plans		<b>23</b>	
	<b>24</b> Employee benefit programs		<b>24</b>	
	<b>25</b> Domestic production activities deduction (attach Form 8903)		<b>25</b>	
	<b>26</b> Other deductions (attach schedule)		<b>26</b>	<b>88,431</b>
	<b>27 Total deductions.</b> Add lines 12 through 26		<b>27</b>	<b>499,031</b>
	<b>28</b> Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		<b>28</b>	<b>342,874</b>
	<b>29 Less: a</b> Net operating loss deduction (see instructions)	<b>29a</b>	<b>342,874</b>	
<b>b</b> Special deductions (Schedule C, line 20)	<b>29b</b>			
		<b>29c</b>	<b>342,874</b>	

<b>Tax and Payments</b>	<b>30 Taxable income.</b> Subtract line 29c from line 28 (see instructions)		<b>30</b>	<b>0</b>
	<b>31 Total tax</b> (Schedule J, line 10)		<b>31</b>	<b>0</b>
	<b>32a</b> 2005 overpayment credited to 2006	<b>32a</b>		
	<b>b</b> 2006 estimated tax payments	<b>32b</b>		
	<b>c</b> 2006 refund applied for on Form 4466	<b>32c</b>	( )	
	<b>d Bal ▶</b>	<b>32d</b>		
	<b>e</b> Tax deposited with Form 7004	<b>32e</b>		
	<b>f</b> Credits: (1) Form 2439 (2) Form 4136	<b>32f</b>		
	<b>g</b> Credit for federal telephone excise tax paid (attach Form 8913)	<b>32g</b>		
	<b>32h</b>			
<b>33</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached		<input type="checkbox"/>	<b>33</b>	
<b>34 Amount owed.</b> If line 32h is smaller than the total of lines 31 and 33, enter amount owed			<b>34</b>	
<b>35 Overpayment.</b> If line 32h is larger than the total of lines 31 and 33, enter amount overpaid			<b>35</b>	
<b>36</b> Enter amount of line 35 you want: <b>Credited to 2007 estimated tax</b> ▶ <b>Refunded</b> ▶			<b>36</b>	

<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Signature of officer _____ Date	Title <b>PRESIDENT</b>	May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No

<b>Paid Preparer's Use Only</b>	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code ▶	EIN		Phone no.

<b>Schedule A</b>		<b>Cost of Goods Sold</b> (see instructions)	
1	Inventory at beginning of year	1	46,250
2	Purchases	2	1,037,718
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	<b>Total.</b> Add lines 1 through 5	6	1,083,968
7	Inventory at end of year	7	28,402
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,055,566
9a Check all methods used for valuing closing inventory:			
(i) <input type="checkbox"/> Cost			
(ii) <input checked="" type="checkbox"/> Lower of cost or market			
(iii) <input type="checkbox"/> Other (Specify method used and attach explanation.)			
b Check if there was a writedown of subnormal goods			
c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)			
d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO			
9d			
e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?			
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation			
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

<b>Schedule C</b>		<b>Dividends and Special Deductions</b> (see instructions)		(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)				70	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)				80	
3	Dividends on debt-financed stock of domestic and foreign corporations				see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities				42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities				48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs				70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs				80	
8	Dividends from wholly owned foreign subsidiaries				100	
9	<b>Total.</b> Add lines 1 through 8. See instructions for limitation					
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958				100	
11	Dividends from affiliated group members				100	
12	Dividends from certain FSCs				100	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12					
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)					
15	Foreign dividend gross-up					
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3					
17	Other dividends					
18	Deduction for dividends paid on certain preferred stock of public utilities					
19	<b>Total dividends.</b> Add lines 1 through 17. Enter here and on page 1, line 4					
20	<b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b					

<b>Schedule E</b>		<b>Compensation of Officers</b> (see instructions for page 1, line 12)			
<b>Note:</b> Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.					
(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 LARRY STEIN	400-00-1112	75 %	75 %	%	22,609
JANICE SIMPSON	400-00-2222	50 %	25 %	%	22,609
		%	%	%	
		%	%	%	
		%	%	%	
2	Total compensation of officers				45,218
3	Compensation of officers claimed on Schedule A and elsewhere on return				
4	Subtract line 3 from line 2. Enter the result here and on page 1, line 12				45,218

**Schedule J Tax Computation** (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>	
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2 0
3	Alternative minimum tax (attach Form 4626)		3 0
4	Add lines 2 and 3		4 0
5a	Foreign tax credit (attach Form 1118)	5a	
b	Qualified electric vehicle credit (attach Form 8834)	5b	
c	General business credit. Check applicable box(es): <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form 6478 <input type="checkbox"/> Form 8835, Section B <input type="checkbox"/> Form 8844	5c	
d	Credit for prior year minimum tax (attach Form 8827)	5d	
e	Bond credits from: <input type="checkbox"/> Form 8860 <input type="checkbox"/> Form 8912	5e	
6	<b>Total credits.</b> Add lines 5a through 5e	6	
7	Subtract line 6 from line 4	7	0
8	Personal holding company tax (attach Schedule PH (Form 1120))	8	
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)	9	
10	<b>Total tax.</b> Add lines 7 through 9. Enter here and on page 1, line 31	10	0

**Schedule K Other Information** (see instructions)

	Yes	No		Yes	No
1	Check accounting method: a <input type="checkbox"/> Cash		7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?	
b <input checked="" type="checkbox"/> Accrual			If "Yes," enter: (a) Percentage owned		
c <input type="checkbox"/> Other (specify) ▶			and (b) Owner's country ▶		
2	See the instructions and enter the:		c	The corporation may have to file <b>Form 5472</b> , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ▶	
a	Business activity code no. ▶ <b>445310</b>		8	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>	
b	Business activity ▶ <b>FOOD &amp; BEVERAGE STORE</b>		If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.		
c	Product or service ▶ <b>BEER, WINE, LIQUORS</b>		9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$	
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)	X	10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶	
If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/>	
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	X	If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T(b)(3) must be attached or the election will not be valid.		
If "Yes," enter name and EIN of the parent corporation ▶			12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$ <b>347,095</b>	
5	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)	X	13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?	
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned ▶ <b>0</b>			If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$		
6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)	X			
If "Yes," file <b>Form 5452</b> , Corporate Report of Nondividend Distributions.					
If this is a consolidated return, answer here for the parent corporation and on <b>Form 851</b> , Affiliations Schedule, for each subsidiary.					

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash . . . . .		8,509		5,338
2a	Trade notes and accounts receivable . . . . .				
b	Less allowance for bad debts . . . . .	( )		( )	
3	Inventories . . . . .		46,250		28,402
4	U.S. government obligations . . . . .				
5	Tax-exempt securities (see instructions) . . . . .				
6	Other current assets (attach schedule) . . . . .				
7	Loans to shareholders . . . . .		145,932		
8	Mortgage and real estate loans . . . . .				
9	Other investments (attach schedule) . . . . .				
10a	Buildings and other depreciable assets . . . . .	242,776		355,313	
b	Less accumulated depreciation . . . . .	( 111,886 )	130,890	( 229,073 )	126,240
11a	Depletable assets . . . . .				
b	Less accumulated depletion . . . . .	( )		( )	
12	Land (net of any amortization) . . . . .		10,680		
13a	Intangible assets (amortizable only) . . . . .	125,000		225,000	
b	Less accumulated amortization . . . . .	( 4,861 )	120,139	( 18,750 )	206,250
14	Other assets (attach schedule) . . . . .				
15	Total assets . . . . .		462,400		366,230
Liabilities and Shareholders' Equity					
16	Accounts payable . . . . .		21,033		30,198
17	Mortgages, notes, bonds payable in less than 1 year . . . . .				
18	Other current liabilities (attach schedule) . . . . .		522,515		8,544
19	Loans from shareholders . . . . .		241,820		307,682
20	Mortgages, notes, bonds payable in 1 year or more . . . . .				
21	Other liabilities (attach schedule) . . . . .				
22	Capital stock: a Preferred stock . . . . .				
b	Common stock . . . . .	100	100	100	100
23	Additional paid-in capital . . . . .				
24	Retained earnings-Appropriated (attach schedule) . . . . .				
25	Retained earnings-Unappropriated . . . . .		( 323,068 )		19,706
26	Adjustments to shareholder's equity (attach schedule) . . . . .				
27	Less cost of treasury stock . . . . .		( )	( )	
28	Total liabilities and shareholders' equity . . . . .		462,400		366,230

Schedule M-1		Reconciliation of Income (Loss) per Books With Income per Return		
Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more-see instructions				
1	Net income (loss) per books . . . . .	342,874	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$ _____
2	Federal income tax per books . . . . .			
3	Excess of capital losses over capital gains . .			
4	Income subject to tax not recorded on books this year (itemize): _____			
5	Expenses recorded on books this year not deducted on this return (itemize): a Depreciation . . . . . \$ _____ b Charitable contributions \$ _____ c Travel and entertainment \$ _____		8	Deductions on this return not charged against book income this year (itemize): a Depreciation . . . . . \$ _____ b Charitable contributions \$ _____
6	Add lines 1 through 5 . . . . .	342,874	9	Add lines 7 and 8 . . . . .
			10	Income (page 1, line 28)-line 6 less line 9
				342,874

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)	
1	Balance at beginning of year . . . . . ( 323,068 )
2	Net income (loss) per books . . . . . 342,874
3	Other increases (itemize): _____
4	Add lines 1, 2, and 3 . . . . . 19,806
5	Distributions: a Cash . . . . . b Stock . . . . . c Property . . . . .
6	Other decreases (itemize): _____ 100
7	Add lines 5 and 6 . . . . . 100
8	Balance at end of year (line 4 less line 7) 19,706



**Sales of Business Property**  
**(Also Involuntary Conversions and Recapture Amounts**  
**Under Sections 179 and 280F(b)(2))**

▶ Attach to your tax return. ▶ See separate instructions.

**2006**Attachment  
Sequence No. **27**

Name(s) shown on return

**ACME SHOPS**

Identifying number

**40-0001111**

- 1 Enter the gross proceeds from sales or exchanges reported to you for 2006 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) . . . . .

**1****Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft -- Most Property Held More Than 1 Year** (see instructions)

(a) Description of property	(b) Date acquired (yr., mo., day)	(c) Date sold (yr., mo., day)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
<b>2</b>						
<b>3</b> Gain, if any, from Form 4684, line 42 . . . . .						<b>3</b>
<b>4</b> Section 1231 gain from installment sales from Form 6252, line 26 or 37 . . . . .						<b>4</b>
<b>5</b> Section 1231 gain or (loss) from like-kind exchanges from Form 8824 . . . . .						<b>5</b>
<b>6</b> Gain, if any, from line 32, from other than casualty or theft . . . . .						<b>6</b> 739,320
<b>7</b> Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: . . . . .						<b>7</b> 739,320
<b>Partnerships (except electing large partnerships) and S corporations.</b> Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.						
<b>Individuals, partners, S corporation shareholders, and all others.</b> If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.						
<b>8</b> Nonrecaptured net section 1231 losses from prior years (see instructions) . . . . .						<b>8</b>
<b>9</b> Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) . . . . .						<b>9</b>

**Part II Ordinary Gains and Losses** (see instructions)

- 10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

<b>11</b> Loss, if any, from line 7 . . . . .						<b>11</b> ( )
<b>12</b> Gain, if any, from line 7 or amount from line 8, if applicable . . . . .						<b>12</b>
<b>13</b> Gain, if any, from line 31 . . . . .						<b>13</b>
<b>14</b> Net gain or (loss) from Form 4684, lines 34 and 41a . . . . .						<b>14</b>
<b>15</b> Ordinary gain from installment sales from Form 6252, line 25 or 36 . . . . .						<b>15</b>
<b>16</b> Ordinary gain or (loss) from like-kind exchanges from Form 8824 . . . . .						<b>16</b>
<b>17</b> Combine lines 10 through 16 . . . . .						<b>17</b>
<b>18</b> For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:						
<b>a</b> If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from "Form 4797, line 18a." See instructions . . . . .						<b>18a</b>
<b>b</b> Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 . . . . .						<b>18b</b>

For Paperwork Reduction Act Notice, see separate instructions.

EEA

Form 4797 (2006)

**Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255**

(see instructions)

<b>19 (a)</b> Description of section 1245, 1250, 1252, 1254, or 1255 property:	<b>(b)</b> Date acquired (yr., mo., day)	<b>(c)</b> Date sold (yr., mo., day)
<b>A BUILDING AND EQUIPMENT</b>	<b>1987-10-01</b>	<b>2006-09-30</b>
<b>B</b>		
<b>C</b>		
<b>D</b>		

  

These columns relate to the properties on lines 19A through 19D.		Property A	Property B	Property C	Property D
<b>20</b> Gross sales price ( <b>Note:</b> See line 1 before completing.) . . . . .	<b>20</b>	<b>750,000</b>			
<b>21</b> Cost or other basis plus expense of sale . . . . .	<b>21</b>	<b>101,643</b>			
<b>22</b> Depreciation (or depletion) allowed or allowable . . . . .	<b>22</b>	<b>90,963</b>			
<b>23</b> Adjusted basis. Subtract line 22 from line 21 . . . . .	<b>23</b>	<b>10,680</b>			
<b>24</b> Total gain. Subtract line 23 from line 20 . . . . .	<b>24</b>	<b>739,320</b>			
<b>25 If section 1245 property:</b>					
<b>a</b> Depreciation allowed or allowable from line 22 . . . . .	<b>25a</b>				
<b>b</b> Enter the <b>smaller</b> of line 24 or 25a . . . . .	<b>25b</b>				
<b>26 If section 1250 property:</b> If straight line depreciation was used, enter 0- on line 26g, except for a corporation subject to section 291.					
<b>a</b> Additional depreciation after 1975 (see instructions) . . . . .	<b>26a</b>				
<b>b</b> Applicable percentage multiplied by the <b>smaller</b> of line 24 or line 26a (see instructions) . . . . .	<b>26b</b>				
<b>c</b> Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e . . . . .	<b>26c</b>				
<b>d</b> Additional depreciation after 1969 and before 1976 . . . . .	<b>26d</b>				
<b>e</b> Enter the <b>smaller</b> of line 26c or 26d . . . . .	<b>26e</b>				
<b>f</b> Section 291 amount (corporations only) . . . . .	<b>26f</b>				
<b>g</b> Add lines 26b, 26e, and 26f . . . . .	<b>26g</b>				
<b>27 If section 1252 property:</b> Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).					
<b>a</b> Soil, water, and land clearing expenses . . . . .	<b>27a</b>				
<b>b</b> Line 27a multiplied by applicable percentage (see instr.) . . . . .	<b>27b</b>				
<b>c</b> Enter the <b>smaller</b> of line 24 or 27b . . . . .	<b>27c</b>				
<b>28 If section 1254 property:</b>					
<b>a</b> Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions) . . . . .	<b>28a</b>				
<b>b</b> Enter the <b>smaller</b> of line 24 or 28a . . . . .	<b>28b</b>				
<b>29 If section 1255 property:</b>					
<b>a</b> Applicable percentage of payments excluded from income under section 126 (see instructions) . . . . .	<b>29a</b>				
<b>b</b> Enter the <b>smaller</b> of line 24 or 29a (see instructions) . . . . .	<b>29b</b>				

**Summary of Part III Gains.** Complete property columns A through D through line 29b before going to line 30.

<b>30</b> Total gains for all properties. Add property columns A through D, line 24 . . . . .	<b>30</b>	<b>739,320</b>
<b>31</b> Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 . . . . .	<b>31</b>	
<b>32</b> Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6 . . . . .	<b>32</b>	<b>739,320</b>

**Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less**

(see instructions)

	<b>(a) Section 179</b>	<b>(b) Section 280F(b)(2)</b>
<b>33</b> Section 179 expense deduction or depreciation allowable in prior years . . . . .	<b>33</b>	
<b>34</b> Recomputed depreciation (see instructions) . . . . .	<b>34</b>	
<b>35</b> Recapture amount. Subtract line 34 from line 33. See the instructions for where to report . . . . .	<b>35</b>	

**2006 Form 355**      **MA0539711024**  
 Business or Manufacturing Corporation Excise Return

Year beginning **08012006** Ending **07312007**

**ACME SHOPS**      **40-0001111**  
**2151 SUTTER STREET**      **AMESBURY**      **MA 01913**

- |     |  |   |          |                         |                          |           |
|-----|--|---|----------|-------------------------|--------------------------|-----------|
| 1.  | Is the corporation incorporated within Massachusetts?                                  | ▶ | <b>X</b> | Yes                     | No                       |           |
| 2.  | Type of corporation  | ▶ |          | Section 38 manufacturer | Mutual fund service      |           |
| 3.  | Type of corporation  | ▶ |          | R&D                     | Classified manufacturing |           |
| 4.  | Is the corporation participating in the filing of a U.S. consolidated return?          |   |          |                         |                          |           |
| 5.  | Is the corporation filing a Massachusetts combined return?                             |   |          |                         |                          |           |
| 6.  | Is the corporation an insurance mutual fund holding corporation?                       | ▶ |          | Yes                     | <b>X</b> No              |           |
| 7.  | Is the corporation requesting alternate apportionment?                                 | ▶ |          | Yes                     | <b>X</b> No              |           |
| 8.  | Is this a final Massachusetts return?  | ▶ |          | Yes                     | <b>X</b> No              |           |
| 9.  | Principal business code  |   |          |                         | ▶                        | <b>9</b>  |
| 10. | FID of parent corporation, if filing a consolidated federal return                     |   |          |                         | ▶                        | <b>10</b> |
| 11. | Average number of employees in Massachusetts   |   |          |                         |                          | <b>11</b> |
| 12. | Average number of employees worldwide  |   |          |                         |                          | <b>12</b> |
| 13. | Date of charter or first date of business in Massachusetts                             |   |          |                         |                          | <b>13</b> |
| 14. | Last year audited by IRS   |   |          |                         | ▶                        | <b>14</b> |
| 15. | Have adjustments been reported to Massachusetts?                                       |   |          | Yes                     | No                       |           |
| 16. | Is the corporation deducting intangible or interest expenses paid to a related entity? | ▶ |          | Yes                     | No                       |           |
| 17. | Is the taxpayer enclosing a Taxpayer Disclosure Statement?                             | ▶ |          | Yes                     | No                       |           |

445310

3

3

01011964

**SIGN HERE. Under penalties of perjury, I declare that to the best of my knowledge and belief this return and enclosures are true, correct and complete.**

Signature of appropriate officer      Date      Print paid preparer's name      Paid preparer's SSN or PTIN

10122006

Title      Paid preparer's phone      Paid preparer's EIN

PRESIDENT

Are you signing as an authorized delegate  
 of the appropriate officer of the corporation?  
 (see instructions) **X** Yes      No

Paid preparer's signature

Date

Check if self-employed

**PRIVACY ACT NOTICE AVAILABLE UPON REQUEST**



**2006 Excise Calculation****MA0539721024**

Business or Manufacturing Corporation Excise Return

**40-0001111**

1. Taxable Massachusetts tangible property, if applicable	▶	135789	x .0026 =	▶ 1	353
2. Taxable net worth, if applicable	▶		x .0026 =	▶ 2	
3. Massachusetts taxable income	▶	90033	x .095 =	▶ 3	8553
4. Credit recapture				▶ 4	
5. Excise before credits				5	8906
6. Total credits				▶ 6	
7. Excise after credits				7	8906
8. Minimum excise				8	456
9. Excise due before voluntary contribution				9	8906
10. Voluntary contribution for endangered wildlife conservation				▶ 10	
11. Excise due plus voluntary contribution				▶ 11	8906
12. 2005 overpayment applied to your 2006 estimated tax				▶ 12	
13. 2006 Massachusetts estimated tax payments				▶ 13	
14. Payment made with extension				▶ 14	
15. Total payments				▶ 15	
16. Amount overpaid				16	
17. Amount overpaid to be credited to 2007 estimated tax				17	
18. Amount overpaid to be refunded			Refund	▶ 18	
19. Balance due			Balance due	▶ 19	8906
20. a. M-2220 penalty ▶ b. Late file/pay penalties ▶			a + b =	20	
21. Interest on unpaid balance				▶ 21	
22. Total payment due at time of filing			Total due	▶ 22	8906

**2006 Schedule A**

MA0506011024

Balance Sheet

ACME SHOPS

40-0001111

**Tangible Assets**

		A. Original cost	B. Accumulated depreciation and amortization	C. Net book value
<b>1.</b>	Capital assets in Massachusetts:			
a.	Buildings	▶ 1a	▶	
b.	Land	▶ 1b		
c.	Motor vehicles and trailers	▶ 1c	26813 ▶	7960 18853
d.	Machinery taxed locally	▶ 1d	▶	
e.	Machinery not taxed locally	▶ 1e	▶	
f.	Equipment	▶ 1f	328500 ▶	221113 107387
g.	Fixtures	1g		
h.	Leasehold improvements taxed locally	▶ 1h	▶	
i.	Leasehold improvements not taxed locally	1i		
j.	Other fixed depreciable assets	1j		
k.	Construction in progress	1k		
l.	Total capital assets in Massachusetts	▶ 1l		126240
<b>2.</b>	Inventories in Massachusetts:			
a.	General merchandise	2a		28402
b.	Exempt goods	▶ 2b		
<b>3.</b>	Supplies and other non-depreciable assets in Mass.	3		
<b>4.</b>	Total tangible assets in Massachusetts	▶ 4		154642
<b>5.</b>	Capital assets outside of Massachusetts:			
a.	Buildings and other depreciable assets	5a		
b.	Land	5b		
<b>6.</b>	Leaseholds/leasehold improvements outside Mass.	6		
<b>7.</b>	Total capital assets outside Massachusetts	▶ 7	▶	

**2006 Schedule A, pg. 2****MA0506021024**

Business or Manufacturing Corporation Excise Return

**40-0001111**

<b>8.</b>	Inventories outside Massachusetts	<b>8</b>	
<b>9.</b>	Supplies and other non-depreciable assets outside Massachusetts	<b>9</b>	
<b>10.</b>	Total tangible assets outside of Massachusetts	<b>10</b>	
<b>11.</b>	Total tangible assets. Add lines 4 and 10	<b>11</b>	<b>154642</b>
<b>12.</b>	Investments:		
	a. Investments in subsidiary corporations at least 80% owned (enclose Schedule A-1)	▶ <b>12a</b>	
	b. Other investments	▶ <b>12b</b>	
<b>13.</b>	Notes receivable	<b>13</b>	
<b>14.</b>	Accounts receivable	<b>14</b>	
<b>15.</b>	Intercompany receivables (enclose Schedule A-2)	<b>15</b>	
<b>16.</b>	Cash	<b>16</b>	<b>5338</b>
<b>17.</b>	Other assets	<b>17</b>	<b>206250</b>
<b>18.</b>	Total assets	▶ <b>18</b>	<b>366230</b>

**Liabilities and Capital**

<b>19.</b>	Mortgages on:		
	a. Massachusetts tangible property taxed locally	<b>19a</b>	
	b. Other tangible assets	<b>19b</b>	
<b>20.</b>	Bonds and other funded debt	<b>20</b>	
<b>21.</b>	Accounts payable	<b>21</b>	<b>30198</b>
<b>22.</b>	Intercompany payables (enclose Schedule A-3)	▶ <b>22</b>	
<b>23.</b>	Notes payable	<b>23</b>	<b>307682</b>
<b>24.</b>	Miscellaneous current liabilities	<b>24</b>	<b>8544</b>
<b>25.</b>	Miscellaneous accrued liabilities	<b>25</b>	
<b>26.</b>	Total liabilities	▶ <b>26</b>	<b>346424</b>
<b>27.</b>	Total capital stock issued	<b>27</b>	<b>100</b>
<b>28.</b>	Paid-in or capital surplus	<b>28</b>	
<b>29.</b>	Retained earnings and surplus reserves	<b>29</b>	<b>19706</b>
<b>30.</b>	Undistributed S corporation net income	<b>30</b>	
<b>31.</b>	Total capital	<b>31</b>	<b>19806</b>
<b>32.</b>	Treasury stock	<b>32</b>	
<b>33.</b>	Total liabilities and capital	<b>33</b>	<b>366230</b>

**2006 Schedule B**      **MA0506111024**  
Tangible or Intangible Property Corp. Classification

**ACME SHOPS****40-0001111**

1.	Total Massachusetts tangible property	1	154642
2.	Massachusetts real estate	2	
3.	Massachusetts motor vehicles and trailers	3	18853
4.	Massachusetts machinery taxed locally	4	
5.	Massachusetts leasehold improvements taxed locally	5	
6.	Massachusetts tangible property taxed locally	▶ 6	18853
7.	Massachusetts tangible property not taxed locally	7	135789
8.	Total assets	8	366230
9.	Massachusetts tangible property taxed locally	9	18853
10.	Total assets not taxed locally	10	347377
11.	Investments in subsidiaries at least 80% owned	11	
12.	Assets subject to allocation	12	347377
13.	Income apportionment percentage	13	1.000000
14.	Allocated assets	▶ 14	347377
15.	Tangible property percentage	15	0.390898

**Schedule C.** Tangible Property Corporation

1.	Total Massachusetts tangible property	1	154642
2.	Exempt Massachusetts tangible property:		
a.	Massachusetts real estate	2a	
b.	Massachusetts motor vehicles and trailers	2b	18853
c.	Massachusetts machinery taxed locally	2c	
d.	Massachusetts leasehold improvements taxed locally	2d	
e.	Exempt goods	2e	
f.	Certified Massachusetts industrial waste/air treatment facilities	2f	
g.	Certified Massachusetts solar or wind power deduction	2g	
3.	Total exempt Massachusetts tangible property	3	18853
4.	Taxable Massachusetts tangible property	4	135789

**2006 Schedule D**

MA0506211024

Intangible Property Corporation

40-0001111

1.	Total assets	1
2.	Total liabilities	2
3.	Massachusetts tangible property taxed locally	3
4.	Mortgages on Massachusetts tangible property taxed locally	4
5.	Subtract line 4 from line 3	5
6.	Investments in subsidiaries at least 80% owned	6
7.	Deductions from total assets	7
8.	Allocable net worth	8
9.	Income apportionment percentage	9
10.	Taxable net worth	10

**Schedules E-1.** Dividends Deduction

1.	Total dividends	1
2.	Dividends from Massachusetts corporate trusts	2
3.	Dividends from non-wholly-owned DISCs	3
4.	Dividends, if less than 15% of voting stock owned	4
5.	Total taxable dividends	5
6.	Dividends eligible for deduction	6
7.	Dividends deduction	7

**2006 Schedule E****MA0506411024**

Taxable Income

**ACME SHOPS****40-0001111**

<b>1.</b>	Gross receipts or sales	▶ <b>1</b>	<b>1035369</b>
<b>2.</b>	Gross profit	▶ <b>2</b>	<b>-20197</b>
<b>3.</b>	Other deductions	▶ <b>3</b>	<b>88431</b>
<b>4.</b>	Net income	▶ <b>4</b>	<b>342874</b>
<b>5.</b>	Allowable U.S. wage credit	▶ <b>5</b>	
<b>6.</b>	Subtract line 5 from line 4	<b>6</b>	<b>342874</b>
<b>7.</b>	State and municipal bond interest not included in U.S. net income	▶ <b>7</b>	
<b>8.</b>	Foreign, state or local income, franchise, excise or capital stock taxes deducted from U.S. net income	▶ <b>8</b>	<b>8544</b>
<b>9.</b>	Section 168(k) "bonus" depreciation adjustment	▶ <b>9</b>	<b>85710</b>
<b>10.</b>	Section(s) 31I and 31K intangible expenses	▶ <b>10</b>	
<b>11.</b>	Section(s) 31J and 31K interest expenses	▶ <b>11</b>	
<b>12.</b>	Federal production activity add back	▶ <b>12</b>	
<b>13.</b>	Other adjustments, including research and development expenses	▶ <b>13</b>	
<b>14.</b>	Add lines 6 through 13	<b>14</b>	<b>437128</b>
<b>15.</b>	Abandoned building renovation deduction	x .10 = ▶ <b>15</b>	
<b>16.</b>	Dividends deduction	▶ <b>16</b>	
<b>17.</b>	Add back of intangible expenses exception	▶ <b>17</b>	
<b>18.</b>	Add back of interest expenses exception	▶ <b>18</b>	
<b>19.</b>	Subtract the total of lines 15 through 18 from line 14	<b>19</b>	<b>437128</b>
<b>20.</b>	Loss carryover	▶ <b>20</b>	<b>347095</b>
<b>21.</b>	Income subject to apportionment	▶ <b>21</b>	<b>90033</b>
<b>22.</b>	Income apportionment percentage	▶ <b>22</b>	<b>1.000000</b>
<b>23.</b>	Multiply line 21 by line 22	<b>23</b>	<b>90033</b>
<b>24.</b>	Income not subject to apportionment	▶ <b>24</b>	
<b>25.</b>	Certified Massachusetts solar or wind power deduction	▶ <b>25</b>	
<b>26.</b>	Massachusetts taxable income	<b>26</b>	<b>90033</b>

**2006 Schedule E-2**

MA0509211024

Loss Carryover Deduction

ACME SHOPS

40-0001111

**Part 1. General Net Operating Loss**

1.	a.	2001 loss	1a	
	b.	2001 new corporation NOL carryover	1b	0
	c.	2001 loss used	1c	
	d.	2001 available loss	1d	
2.	a.	2002 loss	2a	240349
	b.	2002 new corporation NOL carryover	2b	
	c.	2002 loss used	2c	
	d.	2002 available loss	2d	240349
3.	a.	2003 loss	3a	3026
	b.	2003 new corporation NOL carryover	3b	
	c.	2003 loss used	3c	
	d.	2003 available loss	3d	3026
4.	a.	2004 loss	4a	32799
	b.	2004 new corporation NOL carryover	4b	
	c.	2004 loss used	4c	
	d.	2004 available loss	4d	32799
5.	a.	2005 loss	5a	70921
	b.	2005 new corporation NOL carryover	5b	
	c.	2005 loss used	5c	
	d.	2005 available loss	5d	70921
6.		Total available loss	6	347095
7.		Net income	7	437128
8.		Loss carryover deduction	8	347095